



Jones Lang LaSalle reports Long Island office market saw softening in 2010

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According to Jones Lang LaSalle, the Long Island office market continued to experience a slight softening throughout 2010. With numerous leasing opportunities available, space users showed heavy interest in top-quality spaces throughout Long Island, helping to fuel a rise in availabilities among class B properties.

"During the course of 2010, the Long Island office market softened as overall vacancy increased and the area experienced negative absorption of 640,432 s/f for the year," said Raymond Ruiz, executive vice president and head of the firm's Long Island office. "One favorable indicator was positive absorption among Long Island's sublease spaces, which totaled 288,975 s/f. This can be attributed to firms being opportunistic and looking to take advantage of extraordinary value in what remains a tenant's market. With sublease space beginning to diminish, it is anticipated that leasing activity for direct space will increase in 2011."

Overall, Long Island's office market saw a slight increase in vacancy rates in the final quarter of the year, with a large drop in class A vacancy rates offset by a significant boost in class B vacancy rates. Overall vacancy rates increased slightly to 18.7% in the fourth quarter of 2010, a rise of 2.7% from overall vacancy rates of 18.2% in the fourth quarter of 2009. Class A vacancy rates dropped to 16.4% this quarter, a decrease of 13.7% from class A vacancy rates of 19% the previous quarter. Class B vacancy rates rose to 20.7% during the same time period, an increase of 17.6% from class B vacancy rates of 17.6% at year-end 2009.

Long Island eked out an increase in overall asking rental rates in the final quarter of the year. Overall rents grew to \$25.59 per s/f in the fourth quarter of 2010, an increase of 2.3% from overall rates of \$25.01 per s/f in the fourth quarter of 2009. Class A rents dropped to \$27.47 per s/f this quarter, a decrease of 3.1% from class A rents of \$28.34 per s/f the previous quarter. Class B rents throughout Long Island increased to \$24.16 per s/f during the same time period, an increase of 8.3% from class B rates of \$22.31 per s/f at year-end 2009.

Nassau County presented a mixed picture at year-end 2010 as the submarket saw a significant decrease in vacancy rates for class A office space but recorded a large increase in vacancy rates for class B space. The county's overall vacancy rate fell to 18.1% in the fourth quarter of 2010, a decrease of less than 1% from the overall vacancy rate of 18.2% in the fourth quarter of 2009. The submarket's class A vacancy rate dropped to 16.6% this quarter, a decrease of 16.2% from the class A vacancy rate of 19.8% the previous quarter. Nassau County's class B vacancy rates increased to 19.4% during the same time period, rising 15.5% from class B vacancy rates of 16.8% at year-end 2009.

Despite the decrease in vacancy rates for Nassau County's high-end buildings, average asking rental rates for class A buildings dropped slightly to \$28.32 per s/f in the fourth quarter of 2010,

falling 1.2% from class A rents of \$28.67 per s/f one year earlier. The submarket's class B buildings saw rates rise to \$26.06 per s/f this quarter, a 6.8% increase from class B rents of \$24.40 per s/f the previous quarter.

The most notable deals of the year in Nassau County were Stallae International's lease of 111,000 s/f at 1111 Marcus Ave. in Lake Success; Comforce International's lease of 35,000 s/f at 999 Stewart Ave. in Bethpage; and the Winthrop University Heart Institute's lease of 33,000 s/f at 1401 Franklin Ave. in Garden City.

Suffolk County also saw a major decrease in vacancy rates for class A office space and a large increase in vacancy rates for class B space. The county's overall vacancy rate rose to 19.8% in the fourth quarter of 2010, an increase of 2.6% from the overall vacancy rate of 19.3% in the fourth quarter of 2009. The submarket's class A vacancy rate dropped to 16.2% this quarter, a decrease of 15.2% from the class A vacancy rate of 19.1% the previous quarter. Suffolk County's class B vacancy rates increased to 22.6% during the same time period, rising 16.5% from class B vacancy rates of 19.4% at year-end 2009.

As with Nassau County, Suffolk County saw average asking rental rates for high-end space in the market decrease, while rates for the county's class B buildings increased. Rents for class A buildings in Suffolk County dropped to \$26.03 per s/f in the fourth quarter of 2010, falling 5.8% from class A rents of \$27.63 per s/f one year earlier. The submarket's class B buildings saw rates rise to \$22.05 per s/f this quarter, an 11.1% increase from class B rents of \$19.85 per s/f the previous quarter.

The largest leases of the year were spread throughout Suffolk's three submarkets. In Eastern Suffolk County, the Internal Revenue Service completed a renewal and expansion for 102,000 s/f at 5000 Corporate Court in Holtsville. During the third quarter, the IRS would again lease 37,000 s/f at the same asset. In Central Suffolk, Royal Insurance subleased 50,000 s/f at 1 CA Plaza in Islandia. The largest deal of the year in Western Suffolk County was Marchon Eyewear's leasing of 76,000 s/f at 201 Old Country Rd. in Melville. Since the year began, financial services, government, and insurance have been the most active industries in the county as it relates to leasing.

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